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(For details see pp. 11-12)

- **Bank debits** in Oregon during February were 10.2 per cent above those of February 1959 and 10.7 per cent below the debits in January 1960. All areas of the state except the Burns area shared in the year-to-year gain; all showed a decrease from the previous month.

- **Employment** in nonagricultural industry during February showed a 4.1 per cent rise above year-earlier levels. All sectors of the economy except food and kindred products shared in the increase. Total employment in February dropped only slightly from that in January 1960.

- **The index of man hours** in manufacturing (1951 = 100) rose to 84.4 in February 1960. This is higher than the February 1959 index of 79.3 and also higher than the January 1960 index of 82.9.

- **The average weekly earnings** of production workers in nonagricultural industry in Oregon rose to $96.84 in February from the $95.72 average in January. The current figure is a 4.4 per cent increase over the $92.72 average of February 1959.

- **Lumber production** in the Douglas fir region of the Pacific Northwest in February was 14.5 per cent above the weekly average production in February 1959. Current production rose 6.1 per cent above the previous month's average. New orders for lumber were 8.3 per cent above those of a year earlier and 15.6 per cent above those of January. The file of unfilled orders at the end of February was 3.5 per cent above its year-earlier level and 5.7 above its January 1960 level. End-of-the-month inventories of lumber were 17.3 per cent higher than those for the end of February 1959 and 7.2 per cent above estimates for the end of January 1960.

- **The value of building permits** issued in Oregon during February was 6.9 per cent lower than in February 1959, but rose 13.8 per cent above the total for January 1960.

- **Business failures** in Oregon during February 1960 totaled 45 and involved liabilities of $1,229,000. In February 1959 there were 38 failures with liabilities of $909,000. Two-month cumulative totals for 1960 were 86 failures with liabilities of $1,819,000 and for 1959, 63 failures with liabilities of $1,424,000.

- **Construction contracts** awarded in Oregon in January 1960 had a total value of $20,748,000. This is 3 per cent higher than for the comparable period a year ago but 7 per cent below the total for December 1959.

- **Cash receipts from farm marketing** were $29,796,000 for the month of January 1960. This is a drop of 11 per cent from January 1959, when the sale of farm produce totaled $33,479,000. The decrease was mainly in receipts from crops.

The Banana Industry: The United Fruit Company in Central America

By DANIEL D. GAGE

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When your grandfather attended the Philadelphia Centennial Exposition in 1876 he bought from a hawker for ten cents a new tropical delicacy wrapped in tin foil. The novelty was a banana. The dime spent by grandfather was the equivalent of three dimes in terms of today's purchasing power of the dollar. Yet today, despite inflation, this fruit is bought throughout the United States at an average price of only 17.2 cents for a full pound, or less than five cents for one banana.

Nearly 50 million bunches of bananas are imported to the United States and Canada annually by an industry representing a $335,000,000 investment. Indeed, bananas represent 40 per cent of all fresh fruit sold in this country, exceeding slightly the combined total sales of all citrus fruits. The total bill paid by grandfather's children and grandchildren in 1955 was 527 million dollars. Further facts are hardly required to prove that bananas are big business.

Bananas were scarcely known beyond a few port cities before the Civil War. For decades the product "with the perfect natural package" was a luxury item limited to the carriage trade and the holiday season. Not surprisingly, the banana business centered in Boston, home port for the swift Yankee Clippers and the whalers which brought the perishable delicacy from the Caribbeans before it turned soupy and black. One of the captains most successful in rushing bananas from the tropics through heat and hurricane was Lorenzo Dow Baker.

In 1870 Baker, commanding his fishing schooner in Jamaica, loaded 160 bunches of bananas as extra open deck cargo. He sold them ten days later in Jersey City for $2.00 a bunch, eight times the loading price. Zealously Baker extended his efforts in this newly found banana bonanza. By 1876, he was part owner of the Standard Steam Navigation Company, equipped with the steam vessels which had begun to supplant the windjammers.

But Baker was not a merchant. He needed a specialist in produce handling at the terminal ports. Such a man he found in Andrew W. Preston, an enterprising produce salesman who worked on the Boston water front. In 1885 Captain Baker persuaded Preston and others to organize a fruit agency—the Boston Fruit Company—specializing in banana importing.

In converting the sporadic and speculative venture into a stable operation, Baker and Preston found problems which loomed large in marketing, in transportation, and in production, in that sequence of importance and difficulty of solution.

The market for bananas, such as it was before the end of the 19th century, was limited to major Atlantic coast cities. Importers and wholesalers were shoestring operators with minimal unloading, storage, maturation, and distribution facilities. Prices fluctuated and grade standards were unknown. Quantities of bananas were often overripe on arrival in port and had to be disposed of at ruinous prices. Recurring shortages caused prices to soar. Consumer demand was elastic and fruit would rot on the docks as seller and

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buyer stalemated over price levels. Like so many used car dealers today, banana importers were either princes or paupers within weeks.

It was painfully clear to the banana pioneers that not only did the port agencies need standardization of facilities and stabilization of pricing, but consumer demand had to be broadened by tapping interior markets. An expanding market would reduce the periodic gluts if satisfactory means could be devised to transport the fruit by rail to the rest of the United States.

Therefore, fast transportation became a crux of success in this trade. Here was a commodity, heavy, bulky, highly perishable, growing in areas having only primitive transport and ten to fourteen days distant from market outlets.

Bananas are cut green, both in color and in stage of maturity. Under normal conditions, they will ripen to yellow edibility in three weeks or less. They are sensitive to bruising and to both high and low temperatures. The optimum temperature of 55 to 60 degrees was seldom the actual temperature. If a ship of the nineties had fair weather, it could make the run from Jamaica, Cuba, or Santo Domingo to the United States in a minimum of ten days, allowing a week tolerance before the fruit became over-ripe. Delay in transport, or unseasonable hot or cold weather in transit or at unloading, could quickly destroy an entire cargo.

Steam vessels assured faster runs but the ultimate solution of air conditioned cargo holds in transport was then no more than a dream. Ordinary icing had been tried and found wanting.

Another hazard existed at the loading point. To bring enough fruit to shipside from widely scattered banana groves presented the problem of synchronizing ship arrival with accumulations of an adequate supply of cut fruit. In the absence of wireless or cables, native runners on foot or in cayuco canoes were the only messengers. Human backs, mules, canoes, and lighters were the frail resources available to make the trip from the banana plant to ship deck.

At the United States docks still another transport link had to be mastered, that of getting the cargo from the port of entry to interior cities. Railroads were slow, hence hazardous, but more dangerous was the threat of weather being either too cold or too warm while the fruit was enroute. Inland shipping of any consequence had to wait until Andrew Preston organized Fruit Dispatch in 1899, a special marketing and transport subsidiary. Ever since then specially painted cars in a freight train carry bananas under controlled conditions of temperature and humidity. If the trip is likely to encounter wide variation in temperature a messenger from Fruit Dispatch accompanies the cars.

For the infant market, Cuba, Santo Domingo, and Jamaica provided an abundant fruit supply. Jamaica was the focal point of production, thanks to the efforts of Lorenzo Baker in encouraging and guiding the natives into better and bigger methods of production. Actually the banana is not indigenous to the Caribbean. It originated in India or Africa and was grown in the Canary Islands off the coast of Spain at the time of Columbus. A plant was brought to Santo Domingo from the Canaries about 1516 by Father Tomas de Berlanga. It rapidly spread to other islands of the West Indies.

Native production was a casual affair. The islanders simply harvested what grew freely and naturally so long as there was no drouth or hurricane. Since the banana is not a tree but a shallow-rooted large stalk with a trunk of overlapping onion-like husks and long palm-like foliage, it is an easy victim of hurricanes and floods. Supply could be, and often was, drastically curtailed by any one of the "acts of God."

The Boston Fruit Company pioneers soon realized that to insure a larger and more reliable supply, other sources needed to be developed. Wider geographic dispersion of the groves would lessen the havoc of a single hurricane, a local drouth, or flood.

The three major problems fell into the hands of specialists equal to the unique challenges posed. Andrew Preston solved most of the problems of marketing, Lorenzo Baker, those of shipping, and a newcomer, Minor Cooper Keith, those of dispersion and production. Independently, Keith's Tropical Trading and Transport Company had been shipping bananas to New Orleans from Colombia, Costa Rica, Panama, and Nicaragua. Keith was the pioneer railroad builder of Central America, and it was he who solved not only phases of the production problem but also the formidable puzzle of how to get bananas in quantity from the tropical interior to shipside by rail.

In 1899 the United Fruit Company was formed out of the consolidation of the Boston Fruit Company with the interests of Minor Keith and those of twenty-one smaller importers. It had an initial capital of twenty million dollars. Preston became president and Keith vice-president. Baker held stock but his activity with the new Company lessened as he settled down to be a patron of Jamaica. An active participant on the Board of Directors was T. Jefferson Coolidge, Jr.; his son, who had the same name, continued in this same post until his death in August 1959.

Thus was launched what was to become the largest single

TABLE 1

Land Areas in Six Banana Republics
Comparison of United Fruit Company Holdings in 1954
(In Thousands of Acres)

Country	Total Area	Total Crop Lands	Total Banana Acreage	United Fruit Holdings	
				Total	Banana Only
Guatemala	27,000	3,683	40	461	21
Honduras	28,000	1,815	70	325	34
Costa Rica	13,000	875	60	497	35
Panama	18,000	650	42	151	27
Colombia	256,000	7,200	112	100	7
Equador	72,000	2,344	284	192	9
Total	414,000	16,567	608	1,726	133

Source: May and Plaza, *The United Fruit Company in Latin America*, National Planning Association, 1958.

corporation in Central America, the largest private agricultural company in the world, and one of the most significant private American investments in foreign lands.

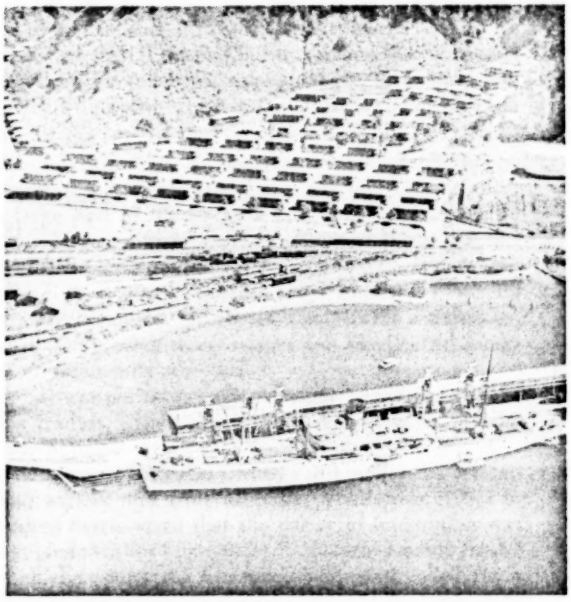
The United Fruit management was early convinced that only by integration could the interrelated problems of marketing, transportation, and production be mastered. There would have to be complete control of each phase, from initial planting to final jobber distribution. Since the business could no longer rely upon haphazard cultivation by native growers, it embarked upon an extensive program of land acquisition. Large areas of jungle swamp lands on the Caribbean coast lowlands from Honduras to Panama were purchased. The lands were cleared and drained. The banana rhizomes were planted by the company on farms grouped into divisions, under operating subsidiaries in each of the countries involved. A total of 561,818 acres were under Company control in 1955 of which 145,846 acres were devoted exclusively to banana plantations. The concentrations today are in Guatemala, Honduras, Costa Rica, and Panama.

Advances in transportation and communication were highlighted by three significant developments. First came the creation of the "Great White Fleet" which in 1955 included 103 air conditioned cargo ships with a total tonnage of 476,000 gross. The utility of refrigerated ships had been proved by 1908. The United Fruit became and remains one of the largest United States Shipping carriers either through owned or leased ships, although it dropped its regular passenger service in the thirties and ceased hauling freight other than bananas in 1959. These side lines had proven unprofitable and interfered with the job of moving bananas.

Mentioned earlier was the creation of Fruit Dispatch to handle shipments to interior points in the United States. At the other end, United Fruit built or supported a network of rail lines in Central America. It now owns 1,447 miles of track (mostly narrow gauge), 195 locomotives, 6,405 freight cars, and 265 miles of aerial tramways. The Company became both an ocean and rail carrier as a part of the policy of total integration of operations.

When the Titanic sank in 1912, the use of wireless SOS calls, allowing ship-to-ship and ship-to-land communication was heralded as an innovation. Yet as early as 1903 Andrew Preston was pushing Mack Musgrove, the superintendent of the Company's new electric department, to solve the problem of communication. Fast and effective shipping went hand in hand with equivalent communication. In 1909 United Fruit was first to put commercial radio on shipboard. In 1913 the radio department was incorporated as a separate subsidiary, Tropical Radio Telegraph Company. Not only was the isolated banana farm in Honduras in direct communication with the Boston head office; the new service was available for use by the general public of Central America.

Minor Keith, before his affiliation with the Boston Fruit Company, had established a working relationship with a Liverpool produce firm, Dempster and Elder, to handle banana imports from the Caribbean. Previously, such fruit as did occasionally arrive on the English market came from the Canaries. This relationship continued after 1899 with the successor firm of Elders and Fyffes, Ltd. In 1909 United Fruit bought the controlling interest of the latter firm, and thus extended its operations into the British Isles.



Hatches are battened down on a 7,000 ton refrigerated cargo ship at Golfito, Costa Rica. The four gantry cranes and their crews, working simultaneously, have loaded in 12 hours 140,000 stems of bananas from freight cars. The town and harbor were built by the United Fruit Company in a setting reminiscent of a miniature Rio de Janeiro.

Under planned expansion the Company pushed its way across the English Channel to invade the continent. This was one conquest welcomed by the vanquished. Today, when the American tourist eats a banana in London, Amsterdam, Hamburg, or Stockholm, he is literally patronizing home industry. Canadian marketing is conducted by another important subsidiary, Canadian Banana Company; the importing point is St. John, New Brunswick, and the head office is in Montreal.

The most serious production problem before the economic depression of the thirties was the appearance in 1925 of the dread Panama disease, a fatal root fungus. There are twenty-seven varieties of bananas but the large yellow Gros Michel is the market favorite. Unfortunately it is the most susceptible to Panama disease. The only remedy to date is the abandonment of the land to other crops or an expensive system of flood fallowing of the infected acreage. Over a period of fifty years the company has had to discontinue about 900,000 acres of land principally because of the inroads of this fungus.

Panama disease forced the company to seek new crop lands on the Pacific side of Central America. The plantations in Armuelles in Panama, Tiquisate in Guatemala, and Palmar-Golfito in Costa Rica came into being before the outbreak of World War II. After the war the company intensified earlier developments in the Santa Marta district of Colombia and in the Tenguel region of Ecuador. The latter country became the largest producer. Of the 1,344 million pounds of bananas exported from Central and South America, Ecuador produced almost twenty per cent; Costa Rica, the nearest rival, a little over ten per cent. Thus "Bananaland" has in sixty years shifted successively from the three main Caribbean islands to the

east coast of Central America, and finally to the Pacific side from Guatemala south to Ecuador.

Ten years later, in 1935, another blight hit: sigatoka, a wind carried spore which attacks the plant above ground, causing deterioration of both fruit and foliage. For a time it was thought that ground and aerial assaults from the two diseases spelled the doom of the banana trade. Control was eventually perfected with an oil Bordeaux mixture sprayed from plane and helicopter. Lately, moko, a bacterial wilt, has appeared but the company's pomological research staff quickly found the answer to the cause; it was an infection carried on the blade of the worker's machete.

Although the United Fruit Company originally represented the consolidation of twenty-one banana importers, vigorous open competition continued. The most formidable competitor was the Cuyamel Fruit Company, headed by a Bessarabian immigrant, Samuel Zamurray. Zamurray had an advantage over Andrew Preston, for he had learned the business as a banana peddler in New Orleans and had gone on to learn the production end by developing plantations in the Ulua basin of Honduras. More than any other individual Zamurray advanced banana production to the level of industrialized agriculture—the farm factory.

Victor Cutter, who succeeded Preston upon the latter's death in 1924, was president of United Fruit which was rolling along with the tide of the profitable twenties. He and his cohorts, however, took note of the rash newcomer. Negotiations led to the exchange of Cuyamel stock for United Fruit stock. Despite his now being the largest single stockholder in the merger, Zamurray at first took no active part and retired to his estate above New Orleans.

United Fruit common stock tumbled from $163 to $35 a share in the early 1930's. Zamurray thought the management was too complacent. One day in 1933 he appeared at the Boston head office and calmly announced he was taking over. He was in; Cutter was out. Zamurray reorganized the firm, bringing in his top men from Cuyamel management. United Fruit weathered the depression and proceeded with a new expansion of markets and production plants.

Guatemala, Honduras, Costa Rica, Panama, Colombia, Ecuador, and Jamaica produce 80 per cent of the bananas in world export. Lesser amounts are grown in Cuba, Dominican Republic, Puerto Rico, Nicaragua, and Mexico. Dark areas on the map represent plantation concentrations. Shipping lanes shown are the routes followed by banana cargoes to the principal importing points in North America and Europe.

During World War II, bananas were in short supply. Transportation to the United States was severely curtailed, for a large part of the Great White Fleet went to war to meet the desperate need for fast transport in the Pacific. The war laid bare a critical weakness of the Central American economy. With refrigerated ships withdrawn, banana exportation dwindled and forced reliance for a dollar exchange onto the other chief crop, coffee. The Central Americas were financially strapped.

The postwar period brought a battery of problems to the banana traders, principally in the areas of labor, public, and international relations.

Brickbats were hurled at United Fruit in increasing number and variety and from all sides. Vociferous critics in the United States cried that the policy of integration was but a euphemism for "monopoly," "a world banana trust." Through the courts the Federal government called for a break-up to create greater competition. (At the time, sixty per cent of the banana imports to the United States came via United Fruit, although there were other independent importers, such as Standard Fruit, which accounted for twenty-three per cent.)

The Arbenz incident in Guatemala in 1954, the Nixon rebuffs during his 1959 South American trip, the more recent land reforms of Castro in Cuba, and the Panamanian agitations over who should own and operate the Panama Canal, have made the State Department more and more sensitive to the bongo-beat of the Latin American pulse. Russian-sponsored hue and cry over "Yankee imperialism," "corporate colonies," "exploiting capitalists" has been coupled with active agitation by trained agents to add fuel to the local nationalistic fires. Central American political leaders and editors began wholesale sniping at this *yanqui pulpo*. United Fruit made a convenient scapegoat to get out votes, to explain high taxes, to justify budget shortages, or simply to interest readers who both admired and resented cold northern efficiency.

Closer examination is required of the statement that "United Fruit is a banana trust," the agency of an exploiting monopoly.

It is estimated that in 1955, 25.7 billion pounds of bananas were produced world wide for commercial sale, of which one-fourth was exported in international sale. The Caribbeans and the six banana republics produced about eighty per cent of all bananas shipped for world export, of which 90 per cent went to the United States, Canada, and Europe. United Fruit accounted for 59 per cent of North American imports, 10 per cent of European and 28 per cent of the world's total banana trade. From the above regions in 1955, the Company imported 2,333 million pounds, and its competitors 1,271 million pounds. United Fruit had just about double the importations of its combined competition. Yet, even with these impressive figures, most economists and legal experts would not classify the Company as a monopolist in the North American market and certainly not in the European or total world markets.

"Monopoly" often connotes extortion of unconscionable high profits to the detriment of the consumer and the labor

required for production. It also implies that the commodity involved is one required as a necessity of life by the consumer. Yet right here is the paradox. Imported bananas began as a luxury. Prices *were* high initially but by mass production and mass distribution effected through integration of operations, bananas currently are priced at about 17.2 cents per pound retail throughout the country. Compared to other food prices the figure 17.2 is within the budget of the bulk of the population. Moreover, that population has the choice of purchasing other fruits according to season. Bananas are always in season because they are produced and distributed on a year-around basis with only slight monthly price variations. (Jobbers drop the banana price during certain seasons of competing fresh fruits to stabilize sales volume.)

A breakdown of the American consumer banana dollar based on 17.2 cents adds further light and amplifies the answer to the charge of exploitation in the producing areas.

Assuming that bananas sell for 17.2 cents per pound at retail, the banana producing country realizes 4.62 cents per pound. In this ratio a dollar's worth of retail bananas costs the producer 27 cents. In each dollar of retail revenue another 10 cents is added to the base to cover transportation by ship for an average round trip of 4,147 miles from loading port to importing point. (Banana ships run empty on the return voyage, because it is more economical to run faster schedules than it is to tie up the ship to load and unload non-banana freight for which the ship is not structurally adapted.)

At port of entry costs now total 37 cents of the total retail banana dollar (4.2 cents of the 17.2 cents per pound of the retail price). The importer's distribution and sales costs, plus his margin of profit, add another 14 cents, making the price to the produce jobber or wholesaler, 51 cents (8.73 cents on the basis of one pound).

The bananas must now move inland and be handled twice more, on and off rail or truck carriers. This cost plus the jobber's margin of profit add the most significant item thus far, 24 cents, bringing the jobber's selling price to the retailer to 75 cents (12.9 cents on the basis of one pound).

If the retailer sells to the consumer on the basis of 17.2 cents per pound, he realizes a 25 percent gross margin, which is not high in comparison to margins on other specialty food stuffs, and considering the loss hazard because of inevitable weight shrinkage and spoilage. Spoiled bananas have only one outlet—the garbage can.

A summary of the above figures shows that the principal costs are incurred in distribution and transportation which together total 73 cents of the consumer's dollar spent for this item.

Returning to the charge of exploitation in the derogatory sense of selfishly taking advantage of others, we can consider two groups whose interests may be involved: the banana farm hands and the governments of the countries in which the operations take place. The company that takes advantage of labor is not paying a fair wage. An objective measurement of wages can be determined by comparison to other wages paid in the area, and to the standard of living achieved.

By Central American standards United Fruit pays a wage well above that paid to other agricultural laborers, and in addition provides, at company expense, medical and

Harvesting on a farm in the Palmar-Golfito Division. The worker on the right has partially severed the banana stalk with a knife attached to a long pole, allowing the fruit to fall to the padded shoulder of the man on the left. The fruit stalk is carried to mule back or tractor-drawn trailer to be hauled to a receiving station to be washed, placed in a bag, and loaded onto a railroad car for transport to shipside.

health care, education, church buildings, housing, recreation, and other fringe benefits for its tropical labor force of sixty-odd thousands.

The writer made a trip by rail down the sixty-two miles from the highlands occupied by San Jose, Costa Rica, to the Pacific port of Puntarenas in 1959. The train had 1910 model wooden coaches, although it was pulled by a modern German electric locomotive. Its way threads through coffee plantations and cattle country. The housing, clothes, and economic conditions are decidedly below the standard of those found in the highlands. Beggars approach the passengers at every stop enroute. These conditions, which are not confined to this area, make the operations of United Fruit plantations at Palmar, 100 miles to the south, shine in direct comparison. At Palmar one saw on the holiday of *El Dia de Mama* workers and their families, well dressed, dashing about on bicycles and motorcycles, watching games of "futbol" and "beisball," shopping at one of the commissaries which operate on a break-even basis.

The charge of exploitation might spring from observation of the Company's land acquisition if the background were unknown. It has been charged that the Company through its size and wealth had secured banana lands by driving harsh bargains with the governments of the countries. It is true that most of the land was obtained on favorable terms under concession contracts. But an important point here is that these lowland jungle areas were mostly government owned because the citizens did not want them, could make no use of them, or did not have the capital to develop them. These lands had no price because there were no buyers until the banana traders came along. (The extent of land holdings is shown in Table 1.)

This land became valuable only when it was cleared, drained, cultivated, and given access to rail and harbor. The railroad system put into operation by United Fruit

Loading newly cut banana stems on plantation at Armuelles, Panama. This is the first of five transfers before the fruit is finally stowed in the hold of a refrigerated ship. All photographs are through the courtesy of the United Fruit Company.

opened up whole areas of adjacent land by providing transportation beyond the previous limits of canoes, mules, and human backs.

There is no base for comparison of the original value of these acres inhabited by the few scattered primitives who could withstand the tropical diseases that beset them. As a result of these land acquisitions United Fruit has, over the years, contributed substantially to the development of these countries.

That the "image is blacker than the record" is undoubtedly true in the history of United Fruit in its Latin American setting. There are two sources responsible for the image. First, the Company originated and penetrated into Central America in an era of political backwash. The Spanish-American War and the subsequent annexation of the Philippins and Puerto Rico left many wounds. Cuba was occupied long after the close of hostilities. President Theodore Roosevelt pushed the Manifest Destiny policy which resulted in the acquisition of the Panama Canal Zone. This caused sore spots in Colombia, from which the former province of Panama severed itself. Some say "dollar diplomacy" had much to do with military interventions in Haiti, Santo Domingo, and Nicaragua. "Yankee imperialism" became the derogatory tag to be attached to any concern with a United States origin. It was not unexpected then, for United Fruit, being the largest and certainly the most ubiquitous of foreign corporations, to become in many Latin minds a symbol of Yankee discrimination and aggression. It was a variety of "guilt by association" made even more pronounced because the word "United" appeared in both names.

The second source of the image may properly be placed at the door of the Company, itself. There were times in the past when some of its representatives on the tropical front were far from ideal ambassadors of good will. Even apologists admit transgressions: election pressures in local politics, misuse of the company commissary system, mass housing of workers detached from their families, and a supercilious attitude toward the native citizens. It would be unfair to say that the Company's attitude at home and abroad was one of the "public be damned" variety, yet as a Costa Rican, a Columbia University graduate, said to the writer, "It was often high hattish."

Samuel Zamurray, like Minor Keith before him, knew these people of sensitive Hispanic temperament. He moderated the original Boston Beacon Hill provincialism with new personnel from all parts of the globe; this new cosmopolitanism enabled the Company to begin a slow about-face in its public relations. In addition to humanitarian welfare programs, the Company's labor-relations representatives faced the leaders of the newly formed labor *sindicados* with open minds and willingness to discuss wages and working conditions across the table.

Also beneficial to the Company are the public relations departments it has added. What people are saying about it, what editors are writing, has a more positive influence today than it had twenty-five years ago. The Company is making certain that its side of the story is told and is backed by documentary evidence. It can no longer disregard criticisms whatever their source or validity.

Recognizing that neither a company nor a country can long rely upon a single product economy, the Company is proceeding with a program of enlightened self-interest and social responsibility. Since its earliest days United Fruit has been in sugar production, but in the past decade it has been further diversifying operations by the development of hemp, cacao, African palm oil, lumber, and cattle. None of these lines yet matches bananas in profitableness but they augur much for future stability of the economy in the Latin American countries concerned. The Company is also engaged in a long range policy of diversifying its own investments, which now total close to four hundred million dollars.

In two other ways the Company is breaking with questionable tradition. In times past there was a management "segregation" system. The supervisory strata above the level of native overseers was exclusively composed of North Americans. The labor force was a variety of local peoples: Jamaicans, Indians, Black Carribs. Panamanian-Negroes, Mestizos, and some direct descendants of Spanish forebears. Policy was that the top limit for these people definitely was the lower supervisory level. There was also, and remains, the traditional Spanish attitude of the educated class that working with one's hands is degrading.

The Company is following two avenues of action to offset these traditional handicaps. First, the native workers are being trained to assume greater responsibility and authority. Second, through re-education, the educated class is urged to accept the concept that all work is honorable. The segregation barrier is declining as more and more native persons are placed in management positions. The process is slow, of course, for traditional ways of life are not changed overnight.

In ameliorating the still mounting labor difficulties, United Fruit seeks to put production more and more directly into the hands of small independent farmers, a plan which has generally prevailed in the later developments in Colombia and Ecuador. A partnership concept, in place of that of Big Uncle and Little Nephew, tends to clip the

TABLE 2

United Fruit Company and Subsidiaries
Ten Year Summary
1949-1958

	Net Income		Dividends		Net Fixed Assets	Stockholder's Equity	
	Amount	Per Share	Amount	Per Share		Amount	Per Share
1958	$22,741,575	$2.60	$24,081,523	$2.75	$244,290,898	$356,471,831	$40.70
1957	31,454,756	3.59	26,296,866	3.00	247,220,332	358,150,271	40.90
1956	30,283,130	3.45	26,324,991	3.00	242,658,041	355,032,593	40.45
1955	33,539,366	3.82	26,324,991	3.00	230,133,454	350,456,743	39.93
1954	31,459,780	3.58	26,324,991	3.00	229,021,671	342,357,084	39.12
1953	44,127,965	5.02	30,712,189	3.50	225,210,266	337,357,149	38.44
1952	37,719,191	4.30	35,099,998	4.00	209,986,858	324,905,484	37.02
1951	50,285,495	5.73	39,487,487	4.50	194,852,494	321,198,386	36.60
1950	65,727,933	7.49	41,681,236	4.75	188,125,937	309,992,922	35.32
1949	54,374,390	6.19	35,099,988	4.00	185,279,937	285,573,857	32.54

Source: United Fruit Company, Annual Report, 1958.

wings of the exploitation myth. Again, this must be evolutionary because of the heavy investment required in banana farming and the need for constant, united defense against the destructive forces of nature: blowdowns, floods, drouths, and plant diseases.

The sixty-year record of the United Fruit Company as a foreign investment is neither a Horatio Alger story nor a modern version of the King Midas legend. The Company's beginnings were rough, tough, uncertain; but over the years it has realized about thirteen per cent in annual earnings on net assets. (See Table 2 for detains of earnings.) It has converted a perishable fruit into a family staple in North America. And in Central America it has transformed the banana, along with such other exports as coffee, cacao, hemp, teak, into dollar exchange to command the goods required for a stronger economic base and a higher standard of living.

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4. Henry Gemmill, "Bananas and Brickbats," *Wall Street Journal*, Vol. LX, No. 126, 1959.

Editor's note. Professor Gage collected material for the study of the United Fruit Company during trips to Central America in 1953 and in 1959. His statements are based upon interviews with Company officials and employees, and Central American citizens, and upon his personal observations of the complete cycle of operations from the time of planting of the rhizome to the moment of the consumer's purchase of the fruit in the food markets of the United States. His research included two seven-day voyages aboard banana freighters sailing from Costa Rica to California.

Next month the *Review* will publish "The European Free Trade Association" by Robert Loring Allen, Visiting Associate Professor of Economics at the University of Oregon.

Oregon Economic Statistics 1960 is ready for distribution. Price is $1.00. Orders may be addressed to the Bureau of Business Research.

New titles in the Faculty Reprint Series: *Stability of Human Organizations*, by Robert Dubin; *Economic Impact of Highway Improvements*, by David Huff and Duane Marble; *Brother Jonathan: Pioneer Steamship of the Pacific Coast*, by Alfred Lomax. Reprints are free upon request.

Economic Probability for 1960

By GABRIEL HAUGE

Dr. Gabriel Hauge is Chairman of the Finance Committee for the Manufacturers Trust Company in New York City. From 1953-1958 he was a special assistant in economic affairs to the President of the United States. On February 3, 1960 in Portland he addressed the Annual Business Conference which was sponsored by the University of Oregon. Herewith is a summary of Dr. Hauge's remarks upon that occasion.

Although one cannot look around the economic corner, one can deal in the probabilities of what is hidden there. My own estimate of those probabilities is this: 1960 promises to be the best year in American economic history.

This judgment is based on an evaluation of the strength of prospective demand in the various sectors of the economy. That evaluation is generally reassuring. We can expect considerable strength from inventory rebuilding, and not only in the metal working lines. Spending by business on plant and equipment should run at least ten to fifteen per cent over 1959. A larger working population, with an average wage level somewhat above that of last year, will generate personal income adequate to support a higher level of consumer expenditures, which account for about two-thirds of our output of goods and services. Some further expansion of consumer credit in 1960 can be expected to sustain this area of spending. Government outlays, principally at the state and local level, will be above those of 1959. There should be material improvement in our net export position as a major contribution to a reduced deficit in our balance of payments. On the negative side, it is likely that expenditures for residential housing will be down somewhat, as will farm income.

The net of all this is an economy generating a level of gross national product that will cross the half trillion dollar mark by the second quarter of the year. It is an economy with employment up, unemployment down, record personal income and corporate profits, interest rates under continued upward pressure, equities finding more competition from better yielding fixed interest obligations, broad consumer price indexes moving up a little.

The prospective degree of tightness in money markets does not, in my opinion, constitute a threat to realizing the promise foreseen for 1960. Nor do I see a runaway budget jeopardizing the outcome, for chances are excellent that citizen support of the President's leadership and his full mobilization of the veto power, will influence the Congress, as it did last year, toward sensible budget results. With the settlement of the steel strike the major remaining threat has been removed, though final judgments on it and other matters in the labor-management field still lie ahead. If the steel settlement proves to be constructive and does not involve cost increases beyond what a sharing of improved efficiency can cope with, the economy should move ahead freely. If, however, the settlement is proved by subsequent events to be inflationary, or if other strikes of consequence occur, a new shadow would be cast on our prospects and on our competitive standing among the industrial nations of the world. Real progress will depend on our ability to produce more for less, not merely more for more.

A Review of Current Practices For Financing Tractors

By VINCENT M. JOLIVET
Associate Professor, University of Washington

And VERGIL V. MILLER
Instructor in Finance, University of Oregon

Important changes have taken place in crawler tractor financing during the past twenty-five years. No longer must the buyer pay cash to the dealer; he now has the choice of cash, contract purchase, or leasing. In order to better understand the current situation, we chose for study three large dealers in Oregon, representing three different major tractor manufacturers. All their transactions involving crawler tractors of 12 tons and over, from August 1, 1956 to March 1, 1959, were examined. Their combined gross income from such transactions for the 31-month period was slightly over eight and one half million dollars; cash sales were 40 per cent of this gross, contract sales were 45 per cent, and lease income 15 per cent.

The cash sales were made by the dealer; many such transactions were to large customers, who in turn financed these purchases through commercial banks or other financial institutions. (No statistics were obtained on what percentage of dealers' cash sales were actually financed by the buyer through financial institutions.)

Contract sales may be either a conditional sales contract, with the title remaining with the seller until the final payment, or a chattel mortgage with attached promissory note. The two are essentially the same, and the choice of one over the other depends on provisions in state laws making one a better instrument from the seller's point of view. In a contract sale, the buyer makes a down payment, and the balance plus interest is paid in equal monthly installments. The down payment requested by the dealer is usually 25 per cent of the purchase price, but acceptable down payments are often lower and occasionally higher, depending on the need of the customer, his credit rating, and the dealer's eagerness to make the sale. Occasionally a very low down payment is accepted on condition the buyer pledge some additional property; this is often another tractor. In the transactions studied, the down payment averaged 18 per cent of the purchase price, but ranged from a low of 4 per cent to slightly over 50 per cent.

Interest is charged on the balance of the contract purchase. In the cases examined, "add-on interest" varied from 4 per cent to 8 per cent, which is equivalent to an effective rate on the balance outstanding of 7.7 per cent to 15.5 per cent annually. (The amount of the "interest" is added to the loan, and the resulting total is payable in equal monthly installments. Thus a one-year loan with "add-on interest" of 6 per cent yields a true interest of 11.6 per cent per annum.) The size of the monthly payments depends, of course, on the number of months allowed to pay off the balance. In the cases studied, this period varied from less than a year to three years with 18 to 24 months typical. (Recently, some tractor dealers have begun to use a new financing plan devised by a major finance company. Purchasers with good credit ratings may make a down payment of as little as 10 per cent of the purchase price, and pay the balance over a period of 4 or 6 years. The novel feature of this plan is in the size of the payments, which are high in the first year and decrease each year. The annual total payments match the depreciation amount the buyer is allowed to deduct for tax purposes under the sum-of-digits method. To illustrate, a $20,000 contract calls for monthly payments of $680 during the first year, $500 the second, $320 the third, and $166 the fourth. This plan is available only for new tractors, not used.) Contract terms for used tractors, however, usually called for more rapid payment, with not more than 2 years to pay and usually less than 1½ years. Two obvious reasons for these shorter terms are that sales of used tractors are for smaller amounts than for new, and the security for the unpaid balance has a shorter useful life.

Skip payments during the buyer's dead season are often allowed, either having been specified in the contract or agreed upon orally. This means that the buyer may skip the usual payment for a month or two, and merely pay interest on the unpaid balance for the payments skipped and then continue regular payments at a later date.

Used tractors, which accounted for over one-fifth of all tractor sales studied, were relatively more often financed on a contract basis than were new tractors. Over 80 per cent of used tractors were bought on time while less than 50 per cent of sales of new equipment were contracts. This is because the larger customers, who buy new in preference to used equipment, often pay cash (though they may finance the purchase through a financial institution). Buyers who resort to used equipment are usually less affluent.

Where does the dealer get the money to finance his time sales? Normally, the dealer assigns the contract to a bank or sales finance company on a "recourse" basis. If the buyer of the tractor defaults on his payments, the dealer must buy back the contract from the bank or finance company. On rare occasions, a finance company will buy a contract outright, without recourse to the dealer. Repossessions, however, do not seem to be a serious problem. In the two and one-half million dollars of contract sales of new tractors studied, there were none. In the more than one and a half million dollars of contract sales of used tractors examined, repossessions totalled only $17,100, and this figure does not represent a complete loss because it was offset by resale of the repossessed tractors.

The low repossession loss rate can be attributed to the dealers' credit controls, their cooperation with purchasers in refinancing the original contract balances, and their provision for skip payments when purchasers experienced periods of capital shortages. Contractors with late model tractors had another way out through sale of their tractors to financially strong user organizations. The low rate of repossession does not, therefore, fully reflect the credit risk involved in such sales. (To refinance a purchase, dealers may write a new contract. The new contract credits the purchaser's equity in the machine as the down payment, and a full payment plan or new monthly contract period is initiated. This service is performed to decrease the dollar amount of the installment payments through an increase in the number of monthly contract payments.)

Leases of tractors fall into three different categories: (1) leases with option to purchase, (2) straight term leases, and (3) short term leases. The $1.3 million in lease income received by the dealers whose records were studied,

was distributed between the three kinds as follows: lease-purchase, 61 per cent; straight term, 32 per cent; short term, 7 per cent.

In a lease with an option to purchase, the machine is obtained by making monthly rental payments the first of each month for a number of months sufficient for the accumulated rentals to equal a normal down payment. Then the buyer has the option of applying a stated percentage of the rental payments to the purchase price of the tractor, and financing the balance on contract. Usually, if the rentals are sufficient as a down payment in three months, the buyer can apply 95 per cent of rentals paid towards the purchase; if six months are needed to accumulate the required down payment, only 90 per cent of the rental paid is applicable to the purchase price. Paradoxically, the effective rate of implied interest resulting from this "discount" is less than five per cent per annum when the calculations are based upon the value of the *tractor*. (Washington dealers are less "generous," normally allowing only 90 per cent of paid rentals after three months to be applied against the purchase price, and only 75 per cent after six months.)

In transactions of this kind which were studied, two-thirds of the dollar volume involved new tractors and one-third used equipment. In almost all cases the option to purchase was exercised, the balance typically being paid in 24 months for new tractors (36 month maximum), and 12-18 months for used tractors (24 month maximum). Of a total of $800,000 of such transactions, only one repossession, involving $10,000, occurred. The dealer normally finances such transactions himself during the lease period, and then assigns the contract to a financial institution once the option has been exercised.

The second most popular kind of lease in the study was the so-called "straight term" lease, which brought an income of over $400,000 to the three dealers, principally for new tractors. Being a lease, no down payment was required, although occasionally a used tractor was turned in as advance payment of rent. The leases were typically for a period of two to two and one-half years, and during this period of time the rentals paid amounted to the value of the tractor plus six per cent add-on interest on the "unpaid" balance. Such leases were financed by the dealer through a finance company. In only one instance was the dealer forced to repossess the tractor because of default on the contract. At the end of the lease, the dealer often continued the lease indefinitely at a nominal rental, and occasionally the lessee purchased the equipment from the dealer at its used value or less. Some "buyers" obtain equipment in this manner through a leasing company rather than through a dealer.

Short-term leases, as the name implies, usually last only one or two months, sometimes as little as one week. The income from such leases in this study amounted to only $88,000, over two-thirds of which involved used tractors. The monthly rental usually ran from five per cent to as high as ten per cent of the new value of the tractor. The opportunity to purchase the tractor was often made available by the dealer, but very seldom taken by the lessee, because short-term leases are normally used to supplement equipment already owned during short periods of unusual activity.

THE UNIVERSITY AND THE BUSINESS COMMUNITY

• The Third Annual Executive Development Program is scheduled for June 12 to July 1, 1960 at the University of Oregon.

The three week program supplements the executive training programs of industry and business, and provides executive training for companies having no formal program of their own.

The areas of management to be studied this summer are business organization, manpower management, profit planning, policy formulation, business economics, and financial planning.

Application forms and complete information will be sent upon request. Inquiries may be addressed to the Director of Executive Development Program, University of Oregon, Eugene, Oregon.

From the equipment user's point of view the most desirable of the alternative methods described depends on circumstances. It appears that the kind of argreement preferred by tractor users depends upon their willingness to assume the risks of ownership or purchase contract provisions. Affecting factors are current business activity, the certainty of future profits, the ability of the user to meet purchase contract obligations, and the length of time and the purpose for which the machine is required. Obviously the cash purchase is indicated when the buyer has funds on hand which are not needed for other purposes. The cash purchase is also indicated for large users with a good credit rating who can borrow the needed funds from a commercial bank at a lower cost than the cost of dealer contract financing.

A more difficult decision arises in the choice between a cash purchase financed with a bank loan, and a straight term lease. Until 1954, a lease was often preferable to ownership because it postponed taxes, but the 1954 Code eliminated this advantage for most practical purposes. The principal advantage of the lease today is that since the lease does not appear on the balance sheet, it does not impair the lessee's borrowing capacity, whereas if the equipment user borrows to buy the equipment, his borrowing capacity is used and diminished in proportion. Thus, the proponents of leasing argue that the borrowing capacity left untouched by means of a lease can be used profitably for other purposes. This argument is contingent, of course, on having other uses for borrowed funds. In addition, no down payment is necessary with a lease, whereas it may not be possible to borrow the full amount of the purchase, and in this way a lease frees some working capital.

In practice, this argument in favor of leasing has undoubtedly been correct, but there is evidence that the situation is changing. Some lenders are now fully aware that there is very little difference between lease financing and conventional borrowing, and these lenders capitalize leases and the equipment so that they appear on the balance sheet being reviewed for the purpose of granting a loan. In this latter example, the loan applicant's borrowing capacity is reduced by a lease in the same way as by a conventional debt. Currently, however, the majority of lenders still do not capitalize leases in reviewing a loan application, although they may informally take them into account. To

summarize, the lease still often provides cash flow advantages through elimination of the down payment and the use of borrowing capacity for other purposes; but there are indications that this is becoming less true. Other aspects of lease financing versus borrowing to gain ownership of the equipment include: (1) cost—the costs of lease financing are higher; (2) budgetary and accounting work—normally eased by the use of leases; (3) rapid obsolescence, or use under severe conditions—lease encourages use of new and more efficient equipment.

The contract purchase is the most commonly used method of tractor purchase because the seller of the tractor also handles the financing. Many smaller buyers would have to pay as high a financing cost through a bank as through a contract purchase, and in some cases might be unable to get bank financing. As for the choice between a contract purchase and a straight-term lease, the arguments pro and con are much the same as discussed earlier in connection with the choice between bank financing and a lease, except that the financing costs of a contract purchase are approximately the same as those of a straight-term lease. At the end of the contract payments, the buyer gets a clear title to the equipment; in a straight-term lease the lessee often gets the equipment for a nominal rental at the end of the initial lease period. (An option to purchase the equipment for a nominal price at the end of the initial lease period is usually avoided because the Department of Internal Revenue may rule that the entire transaction is a purchase arrangement for purposes of tax deduction.) Altogether, the contract purchase and the straight-term lease are more similar than many realize, although familiarity with the contract purchase and an innate wish to "own" equipment make the contract purchase popular.

The lease-purchase plan is basically a variation of the contract purchase devised for buyers who lack a down payment. This plan tends to be used by dealers to stimulate sales during slow periods, but since the dealer himself must finance the transaction during the lease part, the lease-purchase plan is not always available from dealers.

The short-term lease is clearly indicated when the equipment user needs a tractor for a short period of time to supplement regular equipment, but its high cost makes it prohibitive for long periods.

* * *

More extensive discussions of financing for heavy equipment are to be found in the following articles published in the *Harvard Business Review*:

Donald R. Gant, "Illusion in Lease Financing," Mar.-Apr. 1959.

Richard V. Vancil and Robert N. Anthony, "The Financial Community Looks at Leasing," Nov.-Dec. 1959.

Frank K. Friesinger, "Pros and Cons of Leasing Equipment," Mar.-Apr. 1955.

AVERAGE WEEKLY EARNINGS

A comparison of average weekly earnings in 1958 and 1959 for production workers in non-agricultural industry in Oregon is shown below. The figure for the latest month is a preliminary estimate; all other data are revised according to latest information from the State Department of Employment in Salem.

	1958	*1959*		*1958*	*1959*
Jan.	$ 89.12	$ 92.72	July	$ 90.51	$ 96.44
Feb.	90.09	93.93	Aug.	93.18	97.25
Mar.	90.14	96.17	Sept.	95.09	97.12
Apr	90.47	96.53	Oct.	94.48	96.08
May	93.46	98.30	Nov.	94.06	96.69
June	91.87	96.81	Dec.	95.44	96.89

• **Consumer prices in Portland** advanced a full 1 per cent (the largest increase in more than a year and a half) over the November to January quarter, according to the U.S. Bureau of Labor Statistics. Food prices showed virtually no change over the quarter, but higher costs for housing were the principal factors in the advance.

OREGON BANK DEPOSITS

Deposits for state and national banks of Oregon are listed below as of the close of the business day on December 31, 1959, and as of the same day one year earlier. Figures are reported by the Banking Department of the State of Oregon in Salem.

County	*Dec. 31, 1959*	*Dec. 31, 1958*
Baker	$ 15,633,193.05	$ 16,341,091.61
Benton	36,371,885.38	33,177,740.43
Clackamas	75,972,834.09	67,434,367.59
Clatsop	36,186,826.16	34,470,474.90
Columbia	19,526,612.72	18,991,913.40
Coos	59,706,050.17	53,428,730.91
Crook	9,581,681.43	8,768,626.13
Curry	11,780,031.93	10,535,354.68
Deschutes	24,855,673.73	24,408,402.86
Douglas	67,733,974.68	60,556,620.06
Gilliam	5,724,014.48	5,103,751.05
Grant	6,721,189.96	6,686,032.74
Harney	7,955,074.37	7,674,497.37
Hood River	14,734,805.74	13,022,636.26
Jackson	71,144,353.85	67,954,073.09
Jefferson	6,602,177.17	6,238,063.65
Josephine	31,235,216.88	29,562,957.10
Klamath	39,801,800.31	41,958,299.88
Lake	9,992,354.81	9,446,569.94
Lane	134,503,919.86	123,267,009.73
Lincoln	21,097,588.65	18,415,774.78
Linn	54,520,125.28	53,711,607.87
Malheur	23,353,786.63	21,854,703.72
Marion	134,088,396.24	131,214,885.29
Morrow	7,523,627.06	7,320,072.47
Multnomah	965,706,130.31	993,623,876.67
Polk	11,844,934.06	11,431,186.45
Sherman	3,221,904.13	3,069,415.84
Tillamook	18,936,370.30	18,351,027.60
Umatilla	48,490,637.68	46,167,012.26
Union	19,800,591.92	18,791,106.35
Wallowa	7,257,078.01	6,881,688.86
Wasco	29,708,355.90	28,996,968.03
Washington	62,067,222.53	55,357,204.18
Wheeler	2,463,561.24	2,195,381.38
Yamhill	34,931,466.95	32,166,604.13
Total for Oregon	$2,130,775,447.69	$2,088,575,729.26

Placement Service is Useful to Graduate and to Employer

Increasing numbers of firms in business and industry are relying upon the assistance of the University Placement Service for recruitment of personnel. Director of the Service, Eugene W. Dils reports that representatives of 172 organizations have scheduled campus interviews during the academic year. The job market is good for the outstanding students of the current graduating class.

Graduates are being interviewed for openings in a wide variety of fields in business and industry. There are positions for trainees in marketing and sales, accounting and office management, finance, production, science, architecture, and general management.

Dr. Dils stresses that the selection of university graduates is not exclusively the prerogative of the large companies. Small firms also find it profitable to train one or more carefully chosen graduates.

A telephone call or a letter describing a position to be filled will receive prompt and personal attention from Dr. Dils. The address is University Placement Service, Room 124, Education Building, University of Oregon, Eugene, Oregon. The telephone number is DIamond 2-1411, Extension 251.

OREGON STATISTICAL REVIEW

Employment. Information on employment in Oregon is reported each month by the State Department of Employment in Salem. The latest figures follow:

	Feb. 1960	Jan. 1960	Feb. 1959
Lumber & wood products	68,900	68,200	65,000
Food & kindred products	16,800	17,500	17,100
Other manufacturing	50,200	49,300	47,400
Total Manufacturing	135,900	135,000	129,500
Contract construction	21,900	21,500	20,700
Retail trade	76,100	77,300	72,500
Government	91,100	92,600	89,300
Other nonmanufacturing	151,000	150,100	145,400
Total nonmanufacturing	340,100	341,800	327,900
Total Nonagricultural Employment	476,000	476,800	457,400

Construction. The Bureau of Business Research, in cooperation with the F. W. Dodge Corporation, reports January 1960 construction contracts in Oregon had a total value of $20,748,000. This is 7 per cent below December 1959. Comparative data, in thousands of dollars, follow:

	Jan. 1960	Dec. 1959	Jan. 1959
Non-residential	$ 5,574	$ 6,167	$ 4,857
Residential	8,097	10,584	8,462
Public works & utilities	7,077	5,600	2,729
Totals	$20,748	$22,351	$16,048

Nonresidential construction was 414,000 square feet in January 1960 and 355,000 square feet in January 1959. In January 1960 contracts were bid for 667 residential units totaling 740,000 square feet. One year earlier there were 633 units totaling 805,000 square feet.

The totals for the first month of 1960 show that the value of building contracts in Oregon was 3 per cent higher than for the comparable period of the previous year. For the eleven western states the first month's total for 1960 was 15 per cent lower than for the previous year. The national total was 6 per cent lower for 1960 than for the comparable period in 1959. The figures quoted in this paragraph do not include public works or utilities.

Index of Man Hours in Manufacturing. A reliable index of change in manufacturing activity is the man hours of industrial production workers. The index is made by the Bureau of Business Research from data supplied by the State Department of Employment. Figures apply only to personnel engaged in direct manufacturing; sales, office, and general administrative employees are excluded. No adjustment for seasonal variation has been made (1951=100). The most recent reading for Oregon includes February 1960.

	1959	1960		1959	1960
Jan.	79.1	82.9	July	100.2	----
Feb.	79.3	84.4	Aug.	107.4	----
Mar.	83.3	----	Sept.	102.9	----
Apr.	87.2	----	Oct.	97.6	----
May	92.1	----	Nov.	94.1	----
June	98.6	----	Dec.	89.6	----

Department Store Sales. Figures on department store sales are compiled by the Federal Reserve Bank of San Francisco for Portland, Eugene, and Salem. The data are released for Portland each week and once a month for all three cities and the state as a whole.

The most recent Portland data are for the week ending March 5, 1960, when sales were 16 per cent below those of the corresponding week in 1959.

Sales for the three cities and for Oregon for the month of January 1960, and February 1959 to January 31, 1960 have been compared with those for the corresponding periods of time one year earlier. Percentage changes are shown in the following table:

	Jan. 1690	Feb. 1, 1959 to Jan. 31, 1960
Portland	— 7	+ 9
Eugene	+24	+30
Salem	+2	+14
Oregon	— 4	+11

Electric Energy. During January 1960, kilowatt hours of electricity sold by privately-owned electric utilities in Oregon were 14 per cent above sales in January 1959. During the twelve months ending January 31, 1960 sales were 14 per cent above the twelve-month period ending one year earlier.

Lumber. The figures below were reported by the West Coast Lumbermen's Association. They cover the Douglas fir area of the Pacific Northwest and are in thousands of feet, board measure.

	Feb. 1960	Jan. 1960	Feb. 1959
Average weekly production	172,463	162,566	150,668
Average weekly orders	163,626	141,532	151,139
Unfilled orders, end of month	704,382	666,350	680,889
Lumber inventory, end of month	1,125,506	1,050,357	959,792

Business Failures. The Dun and Bradstreet series on commercial failures is considered an indicator of business health. The figures for Oregon follow.

	1959		1960	
	Number	Liabilities	Number	Liabilities
Jan.	25	$ 515,000	41	$ 590,000
Feb.	38	909,000	45	1,229,000
Mar.	54	1,161,000		
Apr.	29	497,000		
May	42	632,000		
June	25	765,000		
July	52	953,000		
Aug.	56	1,015,000		
Sept.	34	534,000		
Oct.	36	660,000		
Nov.	39	594,000		
Dec.	41	1,550,000		

Cash Receipts from Farm Marketing. The receipts from the sale of farm produce were $29,796,000 for January 1960. This is a drop of 11 per cent from the 1959 cumulative total of $33,479,000 for one month. The following table shows the monthly comparisons in thousands of dollars.

	1959	1960		1959
Jan.	$33,479	$29,796	July	$45,194
Feb.	21,901	----	Aug.	51,956
Mar.	24,117	----	Sept.	61,247
Apr.	21,693	----	Oct.	41,256
May	19,148	----	Nov.	29,153
June	31,614	----	Dec.	39,359

Advertising Linage. Local retail advertising linage for the month of February 1960 totaled 477,007 column inches in 20 daily newspapers in Oregon. The Oregon Newspaper Publishers Association reports that this is an increase of 13 per cent over February 1959.

Life Insurance Sales. During January 1960, sales of ordinary life insurance in Oregon were 29 per cent ($13,719,000) lower than in December 1959 and 13 per cent higher than in January 1959. The national figures showed a 28 per cent drop in comparison with December 1959 and a 3 per cent drop in comparison with January 1959.

Banking. Loans, investments, and deposits of Oregon banks that belong to the Federal Reserve System are shown below (in millions of dollars):

	Jan. 1960	Dec. 1959	Jan. 1959
Loans	$ 894	$ 914	$ 789
Investments	662	677	770
Deposits	1,717	1,765	1,729

SOME RESIDENTIAL SALES AVERAGES

The office of the Multnomah County Assessor has released the following figures on average residential sales price for Multnomah County for the years 1947 through 1957, and for December 1958 and December 1959:

Year	Average Residential Sales Price
1947	$ 6,319
1948	7,335
1949	7,457
1950	7,858
1951	8,558
1952	8,896
1953	9,075
1954	9,385
1955	9,909
1956	10,454
1957	10,557
1958 (December only)	11,381
1959 (December only)	10,984

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BANK DEBITS

Bank debits represent the dollar value of checks drawn against the deposit accounts of individuals and business firms. Bank debits are considered good indicators of current business activity. But their value for this purpose can be impaired if they include large checks used to transfer funds for the purchase of certain kinds of capital assets that are not "business activity." Each month the Bureau of Business Research collects data on bank debits from 190 banks and branches.

	Number of Banks Reporting	Debits Feb. 1960	Debits Jan. 1960	Debits Feb. 1959	Feb. 1960 compared with Jan. 1960	Feb. 1960 compared with Feb. 1959
Oregon	190	$1,841,766,044	$2,061,867,516	$1,671,071,881	−10.7	+10.2
Portland area (Multnomah, Washington, Clackamas, Columbia counties)	62	1,196,910,667	1,340,910,788	1,075,406,849	−10.7	+11.3
Mid-Willamette Valley (Polk, Benton, Linn, Marion, Yamhill counties)	40	210,603,431	222,943,517	200,988,263	− 5.5	+ 4.8
North Oregon Coast (Tillamook, Clatsop, Lincoln counties)	10	31,036,834	32,624,109	28,674,429	− 4.7	+ 8.4
West Central Oregon (Douglas, Lane, Coos counties)	22	160,848,565	180,728,447	141,580,309	−11.0	+13.6
Southwestern Oregon (Curry, Jackson, Josephine counties)	13	80,150,450	88,743,260	72,140,041	− 9.7	+11.1
Upper Columbia River (Sherman, Hood River, Wasco, Gilliam, Wheeler counties)	9	25,541,591	30,856,357	24,427,895	−17.2	+ 4.6
Pendleton area (Umatilla, Morrow counties)	8	30,570,279	36,047,240	25,420,976	−15.2	+20.2
Central Oregon (Deschutes, Crook, Jefferson counties)	5	28,125,726	31,227,891	25,571,499	− 9.9	+10.0
Klamath Falls area (Klamath, Lake counties)	7	29,853,584	40,535,771	29,712,909	−26.4	+ 0.5
Baker, La Grande area (Baker, Grant, Wallowa, Union counties)	9	25,918,311	30,313,437	24,690,657	−14.5	+ 5.0
Burns area (Harney, Malheur counties)	5	22,156,606	26,936,699	22,456,054	−17.8	− 1.3

BUILDING PERMITS

Building permits are a report of plans rather than of construction in actual operation. Interpretation of these data must allow for time elapsed between the issuing of the permit and the beginning of construction. The information has been collected by the Bureau of Business Research from building departments in local governments.

	New Residential Feb. 1960	New Non-Residential Feb. 1960	Additions Alterations & Repairs Feb. 1960	Totals Feb. 1960	Totals Jan. 1960	Totals Feb. 1959
Albany	$ 107,121	$ 36,500	$ 12,450	$ 156,071	$ 31,250	$ 231,500
Baker	15,000	245,000	19,700	279,700	34,070	81,600
Beaverton	113,524	73,074	3,025	189,623	223,226	53,760
Bend	88,300	9,700	68,500	166,500	31,600	86,200
CoosBay	37,000	130,800	18,900	186,700	237,250	75,025
Corvallis	.....	.....	.....	.....	190,820	410,150
Eugene	374,770	14,100	57,695	446,565	960,770	614,807
Grants Pass	49,000	53,200	14,500	116,700	132,350	167,450
Hillsboro	117,750	387,150	8,850	513,750	42,640	86,727
Klamath Falls	63,500	4,800	12,485	80,785	186,820	66,590
La Grande	8,820	.....	52,600	61,420	10,500	2,000
McMinnville	65,000	18,000	67,000	150,000	21,500	51,025
Medford	213,700	65,170	33,431	312,301	246,258	354,300
Milwaukie	429,835	5,000	21,614	456,449	174,702	133,590
North Bend	.....	140,100	35,565	175,665	97,550	773,090
Pendleton	18,000	167,000	37,500	222,500	48,140	233,450
Portland	1,147,550	1,071,950	1,609,455	3,831,955	3,349,115	3,902,015
Roseburg	42,260	27,000	36,150	105,410	220,693	88,570
Salem	185,480	1,325	57,150	243,955	718,716	758,603
Springfield	54,068	37,497	33,343	124,908	97,981	73,089
The Dalles	14,000	500	5,900	20,400	6,500	60,600
Clackamas County	410,150	60,300	31,180	501,630	484,790	529,095
Douglas County	86,480	238,632	6,000	331,112	111,156	87,100
Lane County	392,314	221,539	56,750	670,603	700,148	976,123
Marion County	500,700	19,000	10,340	530,040	717,100	677,123
Multnomah County	1,790,301	328,155	128,367	2,246,823	1,302,418	2,023,740
112 other communities	755,553	415,162	380,438	1,551,153	1,639,214	2,093,914
Totals	$7,080,176	$3,773,654	$2,818,888	$13,672,718	$12,017,287	$11,690,636